

Senate File 2209 - Introduced

SENATE FILE 2209

BY McCOY

A BILL FOR

1 An Act relating to higher education by providing for the
2 establishment of the state of Iowa higher education bank and
3 revolving fund and eliminating the deduction for federal
4 taxes paid by certain individual income taxpayers and
5 including retroactive applicability provisions.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

CREATION OF STATE OF IOWA HIGHER EDUCATION BANK

Section 1. NEW SECTION. 525.1 Higher education loan program.

1. The treasurer of state shall administer a program to provide loans to students or parents of a student to finance all or a portion of the cost of a student's attendance at an institution of higher education. A loan provided by the bank under this section shall have a rate of interest fixed at one percent per year.

2. The treasurer, in consultation with the college student aid commission, shall adopt rules for the bank to provide loans pursuant to this section. The rules shall include student eligibility requirements, repayment terms, and any other rules necessary to properly administer the bank's higher education loan program.

Sec. 2. NEW SECTION. 525.2 Establishment of state of Iowa higher education bank.

Subject to article VIII, section 6, of the Constitution of the State of Iowa, the state of Iowa higher education bank is created with the purpose of encouraging and promoting higher education in the state.

Sec. 3. NEW SECTION. 525.3 Definitions.

As used in this chapter, unless the context otherwise requires:

1. "*Bank*" means the state of Iowa higher education bank established under this chapter.

2. "*Institution of higher education*" means any educational institution that offers a postsecondary educational degree, certificate, or program of study and is eligible to receive Tit. IV funds under the federal Higher Education Act of 1965, as amended, or state funding or assistance.

3. "*Taxable income*" means as defined in section 422.4.

Sec. 4. NEW SECTION. 525.4 Management of bank — duties of treasurer.

1 The treasurer of state shall operate, manage, and control
2 the bank, locate and maintain its places of business, and make
3 and enforce orders, rules, regulations, and bylaws for the
4 transaction of its business. The treasurer shall employ and
5 fix the qualifications, duties, and compensation of employees
6 of the bank and may enter into contracts for any services that
7 may be required to conduct the business of the bank.

8 Sec. 5. NEW SECTION. **525.5 Advisory board of directors.**

9 1. An advisory board of directors to the bank shall
10 be appointed to provide recommendations to the treasurer
11 regarding the bank. The advisory board shall consist of five
12 members appointed by the governor and confirmed by the senate
13 pursuant to section 2.32. Two members of the general assembly
14 shall serve as ex officio, nonvoting members, one senator to
15 be appointed by the majority leader of the senate and one
16 representative to be appointed by the speaker of the house of
17 representatives. The advisory board shall not be compensated.
18 Each member shall serve a term of four years.

19 2. The advisory board of directors shall have the following
20 duties:

21 a. Meet regularly with the management of the bank to review
22 the bank's operations to determine whether recommendations
23 should be provided to the treasurer relating to improved
24 management performance, customer service, internal methods,
25 procedures, and operating policies.

26 b. Provide recommendations to the treasurer relating to the
27 establishment of additional objectives for the operation of the
28 bank.

29 c. Provide recommendations to the treasurer relating to
30 employment practices and personnel policies.

31 d. Meet regularly with the treasurer to present any
32 recommendations relating to the bank.

33 e. Advise the treasurer with respect to the powers and
34 functions of the bank.

35 Sec. 6. NEW SECTION. **525.6 Commencement of business.**

1 The bank shall not transact any business except such
2 business as is incident to commencement of business until the
3 treasurer determines that the bank has acquired the minimum
4 capital necessary to operate and remain solvent. In doing so,
5 the treasurer shall consult with the superintendent of the
6 banking division to evaluate and determine the approximate
7 amount of capital required to commence operations.

8 Sec. 7. NEW SECTION. **525.7 Acquisition of capital.**

9 The bank shall acquire capital to operate from any of the
10 following sources:

11 1. Repayment of loans and accrued interest.

12 2. Appropriations from the general assembly or federal
13 government.

14 3. Revenue from annual taxable income exceeding three
15 hundred seventy-five thousand dollars in the case of a single
16 person, or seven hundred fifty thousand dollars in the case of
17 a married couple, as provided in section 421.17, subsection 14.

18 4. Funds derived from the settlement of legal disputes
19 subject to approval from the general assembly.

20 Sec. 8. NEW SECTION. **525.8 State of Iowa higher education
21 bank revolving fund.**

22 1. A state of Iowa higher education bank revolving fund
23 is created in the state treasury under the control of the
24 treasurer. The moneys in the fund shall be used by the
25 treasurer for the purpose of operating the state of Iowa higher
26 education bank.

27 2. The fund shall consist of moneys credited to the fund
28 pursuant to section 525.7 and any other moneys available to
29 and obtained or accepted by the treasurer for placement in the
30 fund. Notwithstanding section 12C.7, subsection 2, interest or
31 earnings on moneys in the fund shall be credited to the fund.
32 Notwithstanding section 8.33, moneys that remain unencumbered
33 or unobligated at the close of the fiscal year shall not
34 revert but shall remain available for the same purpose in the
35 succeeding fiscal year.

DIVISION II

FEDERAL DEDUCTIBILITY — APPROPRIATION TO STATE OF IOWA HIGHER
EDUCATION BANK REVOLVING FUND

Sec. 9. Section 421.17, Code 2016, is amended by adding the following new subsection:

NEW SUBSECTION. 14. *a.* Beginning in calendar year 2017, the department shall by October 15 of each year determine the difference between the net amount of individual income taxes due and paid for the fiscal year ending on the preceding June 30 and the net amount of individual income taxes that would have been due and payable during that fiscal year had the provisions of section 422.9, subsection 2, paragraph “b”, subparagraph (2), not been applicable, and shall certify such amount to the treasurer of state.

b. There is appropriated from the general fund of the state to the state of Iowa higher education bank revolving fund created in section 525.8 for the fiscal year beginning July 1, 2017, and for each fiscal year thereafter, an amount equal to the amount certified during the fiscal year by the department of revenue to the treasurer of state pursuant to paragraph “a”.

Sec. 10. Section 422.9, subsection 2, paragraph b, Code 2016, is amended to read as follows:

b. (1) Add the amount of federal income taxes paid or accrued, as the case may be, during the tax year and subtract any federal income tax refunds received during the tax year. Where married persons, who have filed a joint federal income tax return, file separately, such total shall be divided between them according to the portion of the total paid or accrued, as the case may be, by each. Federal income taxes paid for a tax year in which an Iowa return was not required to be filed shall not be added and federal income tax refunds received from a tax year in which an Iowa return was not required to be filed shall not be subtracted.

(2) Notwithstanding subparagraph (1), federal income taxes paid for a tax year beginning on or after January 1, 2016,

1 in which the taxpayer's net income exceeds three hundred
2 seventy-five thousand dollars in the case of a single person,
3 or seven hundred fifty thousand dollars in the case of a
4 married couple, shall not be added, and federal income tax
5 refunds received from a tax year beginning on or after January
6 1, 2016, in which the taxpayer's net income exceeds three
7 hundred seventy-five thousand dollars in the case of a single
8 person, or seven hundred fifty thousand dollars in the case of
9 a married couple, shall not be subtracted.

10 Sec. 11. RETROACTIVE APPLICABILITY. This division of this
11 Act applies retroactively to January 1, 2016, for tax years
12 beginning on or after that date.

EXPLANATION

14 The inclusion of this explanation does not constitute agreement with
15 the explanation's substance by the members of the general assembly.

16 This bill establishes the state of Iowa higher education
17 bank and revolving fund and provides money for the fund by
18 disallowing a deduction for federal taxes paid for certain
19 taxpayers. The purpose of the fund is to promote and encourage
20 higher education in the state.

21 Division I provides the state treasurer with the authority
22 to operate, manage, and control the public state bank,
23 including locating and maintaining its places of business,
24 adopting rules and regulations, and employing staff for any
25 services that may be required for the bank to conduct its
26 business.

27 The bill establishes an advisory board of directors to
28 provide recommendations to the treasurer regarding the bank.
29 The board consists of five members appointed by the governor
30 and confirmed by the senate. Two members from the general
31 assembly shall serve as ex officio and shall be appointed by
32 the majority leader of the senate and the speaker of the house
33 of representatives. The board shall not be compensated and
34 each member shall serve a term of four years. The board shall
35 provide recommendations to the treasurer regarding the bank's

1 operations, additional objectives, the hire of employees, and
2 any other recommendations relating to the bank.

3 The bill provides that the bank shall not commence its
4 operations until the treasurer, after consulting with the
5 superintendent of banking, determines that the bank has the
6 minimum capital necessary to operate and maintain solvency.

7 The bill provides that the bank shall acquire capital to
8 operate from the repayment of loans and accrued interest,
9 appropriations from the general assembly or federal government,
10 revenue from disallowing a deduction for federal taxes paid
11 for income taxpayers whose income exceeds \$375,000 (single)
12 or \$750,000 (married) annually, and funds derived from legal
13 settlements subject to approval from the general assembly.

14 The bill provides that the bank shall establish a higher
15 education loan program to provide loans to students or
16 parents of a student to finance the cost of attendance at an
17 institution of higher education, as defined in the bill. A
18 loan provided under this program shall have a fixed rate of
19 interest at 1 percent per year. The treasurer, in consultation
20 with the college student aid commission, is required to adopt
21 rules to administer the program.

22 The bill establishes a state of Iowa higher education bank
23 revolving fund in the state treasury and under the control of
24 the treasurer to consist of moneys acquired by means specified
25 in the bill. Moneys in the fund are to be used to operate the
26 bank and shall not revert to the general fund of the state.

27 Division II disallows the Iowa income tax deduction for
28 federal income taxes paid for tax years beginning on or after
29 January 1, 2016, if the taxpayer's net income for the tax year
30 exceeds \$750,000 (\$375,000 for a single person). Beginning in
31 2017, the bill requires the department of revenue to calculate
32 the additional Iowa income tax revenues collected as a result
33 of the disallowance of federal deductibility for each fiscal
34 year and certify that amount to the treasurer of state by
35 October 15. For each fiscal year beginning on or after July 1,

1 2017, an amount equal to the amount certified by the department
2 of revenue during the fiscal year is appropriated from the
3 general fund of the state to the state of Iowa higher education
4 bank revolving fund created in Code section 525.8.

5 Division II applies retroactively to January 1, 2016, for
6 tax years beginning on or after that date.